

**C. REMARKS**

Reconsideration and allowance are requested in view of the following amendments and remarks. Upon entry of this Amendment, claims 1, 4, 6-12, 14, 15, 25, 28-36, and 38-44 will be pending in this application with claims 1, 11, 25 and 28 being independent claims. Support for the claims is found throughout the specification. No new matter has been added.

**35 U.S.C. § 103 Rejection**

Claims 1, 2, 4, 6-12, 14, 15, 25, 26, 28-36, 38-44 stand rejected as being unpatentable under 35 U.S.C. § 103(a) over U.S. Patent No. 5,802,501 to Graff (“Graff”) in view of U.S. Patent No. 5,812,987 to Luskin et al. (“Luskin”), in view of CIBC World Markets (“CIBC”), in view of The Canadian Jewish News (2/11/99) (“CJN”), in view of U.S. Patent No. 5,946,667 to Tull (“Tull”), and further in view of U.S. Patent No. 6,321,212 to Lange (“Lange”). Applicants traverse this rejection insofar as it pertains to the presently pending claims.

Initially, Applicants submit that the obviousness rejection is based on impermissible hindsight reconstruction, using Applicants’ claim as a template to reconstruct the claimed invention by picking and choosing isolated disclosures from the prior art.<sup>1</sup> The Examiner is required to do more than point to isolated disclosures of components from the prior art which are used separately or in other combinations; there must be some teaching, suggestion, or incentive to make the combination made by the inventors.<sup>2</sup>

While Applicants do not agree with the grounds of rejection advanced by the Examiner, Applicants have amended claims 1, 11, 25 and 28 in order to expedite prosecution. In particular, Applicants have amended independent claims 1, 11, and 25 to recite “the distribution including

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<sup>1</sup> See *In re Fritch*, 972 F.2d 1260, 1266, 23 U.S.P.Q.2d 1780, 1784 (Fed. Cir. 1992).

<sup>2</sup> See *Northern Telecom, Inc. v. Datapoint Corp.*, 908 F.2d 931, 934, 15 U.S.P.Q.2d 1321, 1323 (Fed. Cir. 1990).

cash payments that are paid in cash and based on share dividends of the equity security shares of the unit and performance payments that are paid in equity security shares and based on underlying asset appreciation.” Applicants also have amended independent claim 28 to recite “said payments include cash payments that are paid in cash and based on share dividends of the equity security shares of the unit and performance payments that are paid in equity security shares and based on underlying asset appreciation.”

While the primary reference Graff discloses making cash payments, such cash payments are not based on share dividends of equity security shares. Furthermore, Graff fails to teach or suggest performance payments paid in equity shares and based on underlying asset appreciation.

Moreover, the secondary references relied on by the Examiner including: Luskin, CIBC, CJN, Tull, and Lange all fail to remedy the deficiencies of Graff. Namely, Luskin only teaches distributing cash among different portfolios. CIBC, CJN, Tull merely demonstrate the existence of equity-linked notes, i.e. a bond that pays interest based on the performance of an equity market index. And, Lange at most describes a system for reducing transaction costs involved with trading contingent claims relating to events of economic significance.

Applicants remind the Examiner that in order to establish such a *prima facie* case of obviousness, there must be some suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art, to modify the reference or to combine reference teachings.<sup>3</sup> In addition, there must be a reasonable expectation of success.<sup>4</sup> Moreover, the prior art must teach or suggest all of the claim limitations.<sup>5</sup> Such teaching or suggestion to make the claimed combination and the reasonable expectation of success must both

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<sup>3</sup> See MPEP § 2143 citing *In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991).

<sup>4</sup> Id.

<sup>5</sup> Id.

be found in the prior art, not in applicant's disclosure.<sup>6</sup>

Applicants also remind the Examiner that the Federal Circuit has explained repeatedly that to support an obvious rejection, the prior art must suggest not merely that modification of the prior art is possible, but rather that the exact modification at issue is desirable.<sup>7</sup>

In view of the above, the applied references including: Graff, Luskin, CIBC, CJN, Tull, and Langeare are insufficient to establish a *prima facie* case of obviousness with respect to claims 1, 11, 25 and 28, as amended. Namely, the applied references fail to teach or suggest all the elements of independent claims 1, 11, 25 and 28. In addition, the applied references fail to provide any suggestion or motivation to modify or combine each other or that any such hypothetical combination would have a reasonable expectation of success.

Applicants submit, therefore, that claims 1, 11, 25 and 28 are allowable for at least the reasons set forth herein, and that claims 4, 6-10, 12, 14, 15, 27-36, and 38-44 are allowable by virtue of their dependency, as well as on their own merits.

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<sup>6</sup> Id.

<sup>7</sup> See, e.g., *In re Laskowski*, 871 F.2d 115 (Fed. Cir. 1989) ("[T]he mere fact that the prior art could be so modified would not have made the modification obvious unless the prior art suggested the desirability of the modification."); *In re Mills*, 916 F.2d 680 (Fed. Cir. 1990) (Although a prior art device "may be capable of being modified to run the way [that applicant's] apparatus is claimed, there must be some suggestion or motivation in the reference to do so.").

**D. CONCLUSION**

Applicants submit this application is in condition for allowance and request favorable action in the form of a Notice of Allowance.

Respectfully submitted,

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Robert V. Racunas, Jr.

Reg. No. 43,027

(412) 355-6279

Kirkpatrick & Lockhart LLP  
Henry W. Oliver Building  
535 Smithfield Street  
Pittsburgh, PA 15222  
Tel: (412) 355-6500  
Fax: (412) 355-6501  
rracunas@kl.com